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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Aldermen
Town of Lambert, Mississippi

We have audited the Statement of Cash Receipts and Disbursements (All Funds) of the Town of Lambert, Mississippi, as of and for the year ended September 30, 2004. This financial statement is the responsibility of the Town of Lambert, Mississippi's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement referred to above is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement of Cash Receipts and Disbursements (All Funds). An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Town of Lambert, Mississippi prepares the Statement of Cash Receipts and Disbursements (All Funds) on a prescribed basis of accounting that demonstrates compliance with the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, the accompanying financial statement is not intended to present the results of operation in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the cash balances of the Town of Lambert, Mississippi, as of September 30, 2004, and the revenue it received and expenditures it paid for the year then ended, on the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the Statement of Cash Receipts and Disbursements (All Funds) of the Town of Lambert, Mississippi taken as a whole. Schedules 1 - 3 are presented for the purposes of additional analysis and are not a required part of the financial statement. The information in those schedules has been subjected to the auditing procedures applied in the audit of the Statement of Cash Receipts and Disbursements (All Funds) and, in our opinion, is fairly presented in all material respects in relation to the Statement of Cash Receipts and Disbursements (All Funds) taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2005 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

January 20, 2005

TOWN OF LAMBERT, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ALL FUNDS
YEAR ENDED SEPTEMBER 30, 2004

	Governmental Fund Types				Proprietary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Project	Enterprise	2004
REVENUE RECEIPTS:						
General Property Taxes:						
Current levy	106,830			19,054		125,884
Prior years levy	742					742
Vehicles	44,082					44,082
Penalties and interest	1,221					1,221
Total taxes	152,875	0	0	19,054	0	171,929
Licenses and Permits:						
Licenses and permits	1,039					1,039
Franchise fees - utilities & cable	30,731					30,731
Total licenses and permits	31,770	0	0	0	0	31,770
Intergovernmental Revenue:						
Federal grants and guaranteed loans						
Grants:						
02 HOME - Grant Project		244,694				244,694
CDBG - Water & Street Project				110,923		110,923
Loans:						
Rural Development - Streets				153,696		153,696
Rural Development - Water				129,657		129,657
Total federal grants and guaranteed loans	0	244,694	0	394,276	0	638,970
State grants:						
Homestead exemption reimbursement	7,744			1,367		9,111
Total state grants	7,744	0	0	1,367	0	9,111

TOWN OF LAMBERT, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ALL FUNDS
YEAR ENDED SEPTEMBER 30, 2004

	Governmental Fund Types				Proprietary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Project	Enterprise	2004
State shared revenues:						
General sales tax	39,500					39,500
Municipal aid	1,025					1,025
Motor vehicles fuel taxes	5,409					5,409
Fire insurance premium taxes	8,404					8,404
Grand Gulf	7,572					7,572
MEMA				5,111		5,111
Liquor Privilege	900					900
Total state shared revenues	62,810	0	0	5,111	0	67,921
County shared revenues:						
Rail grant	12,108					12,108
Fire aid	3,750					3,750
Road maintenance	2,455					2,455
Total county shared revenues	18,313	0	0	0	0	18,313
Charges for Services:						
Garbage	57,566					57,566
Water & Sewer					342,227	342,227
Fire Protection Fees			12,507			12,507
Total charges for services	57,566	0	12,507	0	342,227	412,300
Fines and Forfeits:						
Police fines	40,914					40,914

TOWN OF LAMBERT, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ALL FUNDS
YEAR ENDED SEPTEMBER 30, 2004

	Governmental Fund Types				Proprietary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Project	Enterprise	2004
Miscellaneous:						
Interest income	81		46	434	1,197	1,758
Miscellaneous	4,965				2,869	7,834
Total miscellaneous	5,046	0	46	434	4,066	9,592
Total cash receipts	377,038	244,694	12,553	420,242	346,293	1,400,820
DISBURSEMENTS:						
General Government:						
Financial administration:						
Salaries and employee benefits	56,231					56,231
Travel and training	4,865					4,865
Office and operating supplies	8,538					8,538
Professional fees	12,430					12,430
Telephone and utilities	6,725					6,725
Insurance	4,718					4,718
Other	7,816					7,816
Total general government	101,323	0	0	0	0	101,323
Public Safety:						
Police:						
Salaries and employee benefits	116,714					116,714
Fuel and operating supplies	9,814					9,814
Jail fees	13,126					13,126
Telephone and utilities	5,020					5,020
Insurance	26,972					26,972
Repairs	3,635					3,635
State assessments	4,793					4,793

TOWN OF LAMBERT, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ALL FUNDS
YEAR ENDED SEPTEMBER 30, 2004

	Governmental Fund Types				Proprietary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Project	Enterprise	2004
Miscellaneous	7,432					7,432
Board of Adjustments	4,200					4,200
Total police	191,706	0	0	0	0	191,706
Fire:						
Equipment	4,968					4,968
Utilities and telephone	2,893					2,893
Insurance	5,271					5,271
Fuel, repairs and supplies	7,059					7,059
Total fire	20,191	0	0	0	0	20,191
Public Works:						
Railways:						
Rail Crossing Repairs	24,713					24,713
Streets:						
Salaries and employee benefits	16,757					16,757
Repairs and supplies	2,141					2,141
Street lights	24,640					24,640
Total streets	43,538	0	0	0	0	43,538
Total public works	68,251	0	0	0	0	68,251
Sanitation:						
Garbage fees	53,364					53,364
Total sanitation	53,364	0	0	0	0	53,364
Parks and Recreation:						
Supplies and other	1,260					1,260
Total parks and recreation	1,260	0	0	0	0	1,260

TOWN OF LAMBERT, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ALL FUNDS
YEAR ENDED SEPTEMBER 30, 2004

	Governmental Fund Types				Proprietary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Project	Enterprise	2004
Other Disbursements:						
Enterprise Funds:						
Salaries, labor and employee benefits					75,615	75,615
Maintenance and repairs					23,047	23,047
Supplies, materials and fuel					31,491	31,491
Meter refunds and adjustments					3,507	3,507
Professional fees					3,500	3,500
Insurance					24,661	24,661
Utilities and telephone					23,068	23,068
General expense					8,395	8,395
Total enterprise funds	0	0	0	0	193,284	193,284
Debt Service:						
Principal retirement - notes	16,243				40,942	57,185
Interest & fees	2,011				30,990	33,001
Total debt service	18,254	0	0	0	71,932	90,186
Federal Expenditures						
Public Facilities - Street				159,942		159,942
02 HOME Grant Project		337,746				337,746
Public Facilities - Water Project				159,723		159,723
Public Facilities - Water & Street				110,925		110,925
Total federal expenditures	0	337,746	0	430,590	0	768,336
Total cash disbursements	454,349	337,746	0	430,590	265,216	1,487,901

TOWN OF LAMBERT, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ALL FUNDS
YEAR ENDED SEPTEMBER 30, 2004

	Governmental Fund Types				Proprietary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Project	Enterprise	2004
OTHER FINANCING SOURCES - (USES):						
Loan payment - Trustmark Bank				(184,036)		(184,036)
Loan payment - Delta Southern Bank				(894,464)		(894,464)
Proceeds from issue of bonds				1,238,100		1,238,100
Rail loan - State of Mississippi	12,000					12,000
Operating transfers in	60,424			37,069	(4,849)	92,644
Operating transfers out	<u>(12,930)</u>	<u>(19,290)</u>	<u>(12,250)</u>	<u></u>	<u>(48,174)</u>	<u>(92,644)</u>
Total other financing sources, (uses)	<u>59,494</u>	<u>(19,290)</u>	<u>(12,250)</u>	<u>196,669</u>	<u>(53,023)</u>	<u>171,600</u>
Excess cash receipts and other financing sources over/(under) cash disbursements	(17,817)	(112,342)	303	186,321	28,054	84,519
Cash and investments balance - beginning of year	<u>81,614</u>	<u>141,368</u>	<u>9,219</u>	<u>102</u>	<u>202,248</u>	<u>434,551</u>
Cash and investments balance - end of year	<u><u>63,797</u></u>	<u><u>29,026</u></u>	<u><u>9,522</u></u>	<u><u>186,423</u></u>	<u><u>230,302</u></u>	<u><u>519,070</u></u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF LAMBERT, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED SEPTEMBER 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Town of Lambert operates under a Mayor-Board of Aldermen form of government. Town's population on the 2000 census was 1,967. The accounting policies of the Town of Lambert conform to the laws of Mississippi for a municipality with a population of less than 3,000. The following is a summary of the more significant policies.

Reporting Entity - This report includes all of the funds and account groups of the Town of Lambert. The Town has developed criteria to determine whether outside agencies or authorities with activities which benefit the citizens of the Town should be included within its financial reporting entity. The criteria include, but are not limited to, whether the Town exercises oversight responsibility on financial inter-dependency, selection of governing authority, and accountability for fiscal matter, scope of public service and special financing relationships. No component unit was identified for inclusion or potential inclusion utilizing the criteria indicated.

Basis of Presentation - Fund Accounting - The accounts of the Town of Lambert are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The Town has created several types of funds and a number of discrete funds within each fund type. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

The following funds and groups of accounts are used by the Town:

Governmental Fund Types:

General Fund - This fund is established to account for resources devoted to financing the general services that the Town performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the Town are included in this fund. The fund is charged with all cost of operating the government for which a separate fund has not been established.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt including principal, interest and related costs.

Capital Project Fund - Capital project funds are used to account for financial resources to be used for acquisition and/or construction of major capital facilities

Special Revenue Fund - The special revenue fund is used to account for special revenues most of which are federal grants or awards for special purposes.

**TOWN OF LAMBERT, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED SEPTEMBER 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Cont'd)

Proprietary Fund Types:

Enterprise Funds - These funds account for operations that are organized to be self-supporting through user charges. Included in this category is the Water and Sewer Fund.

Basis of Accounting - All governmental and proprietary funds are accounted for using the cash receipts and disbursements basis of accounting, as prescribed by the Mississippi State Department of Audit. This basis of accounting differs from generally accepted accounting principles in that revenues are recognized when received rather than when measurable and available as net current assets and expenditures are generally recognized when the related fund expense is disbursed rather than when the related fund liability is incurred. Consequently, these financial statements are not intended to present financial position or results of operations in accordance with generally accepted accounting principles.

Budgetary Data - Formal budgetary accounting is employed as a management control for all funds of the Town. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for governmental and proprietary funds. For governmental funds, receipts are budgeted on the cash basis.

Expenditures are budgeted on the modified cash basis of accounting. This is consistent with the applicable laws of Mississippi for municipalities. Budgets for Capital Projects Funds are made on a project basis, spanning more than one fiscal year. Budgetary control is exercised at the departmental level or by projects.

All unencumbered budget appropriations, except project budgets, lapse at the end of each fiscal year.

Cash - Cash in excess of current requirements is invested in various interest-bearing bank deposits and disclosed as part of the Town's investments.

Revenues and Expenditures/Expenses - Revenue for governmental and proprietary funds are recorded when they are received. Expenditures for governmental funds are recorded when the warrant is issued.

Property Tax Revenues - Property taxes are levied on January 1 based on the assessed value of property per the County Tax Bills. Assessed values are an approximation of market value.

Property taxes are recognized as revenue when they are received.

Encumbrances - The Town of Lambert does not use encumbrance accounting.

**TOWN OF LAMBERT, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED SEPTEMBER 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Cont'd)

Vacation, Sick Leave, and Other Compensated Absences - It is the Town's policy to have all employees take their vacation in the year it is earned. Upon termination, employees are paid for any unused vacation time. Sick leave may only be taken for bonafide sickness and is lost upon termination of employment.

Total Columns - The Statement of Cash Receipts and Disbursements (All Funds) includes a total column that is described as memorandum only. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with receipts and disbursements basis of accounting, as prescribed by the Mississippi State Department of Audit. Interfund transactions have not been eliminated from the total column of this financial statement.

NOTE 2 - PROPERTY TAXES:

Property taxes attach as an enforceable lien as of February 1.

The Town used a tax levy in 2003 of 67 mills on assessed valuation for taxing property within the incorporated boundaries. The Town utilized the county tax rolls and values in assessing the ad valorem taxes on real and personal property within the Town boundaries. The Town's property taxes and personal auto taxes are collected and remitted to the Town by the Quitman County tax collector.

Property for which ad valorem taxes have not been paid is advertised for sale in April of each year. Property not sold at the auction is struck to the State of Mississippi.

NOTE 3 - CASH AND OTHER DEPOSITS:

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. During the current fiscal year the bank failed to include one of the town's public fund bank accounts in its reporting to the State Treasurer. The bank has been contacted to include this account for reporting purposes in the future.

The carrying amount of the Town's deposits with financial institutions was \$518,825 and the bank balance was \$541,710.

**TOWN OF LAMBERT, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED SEPTEMBER 30, 2004**

NOTE 4 - LONG-TERM DEBT:

Transactions of the long term debt group of accounts are shown in Schedule 2. The following schedule reflects the debt service requirements of the general obligation debt and revenue debt contained in the schedule of long term debt for the next five years and five year increments thereafter:

	FYE	FYE	FYE	FYE	FYE	FYE 9-30-10 Thru	FYE 9-30-15 Thru	FYE 9-30-20 Thru
GENERAL OBLIGATIONS	9-30-05	9-30-06	9-30-07	9-30-08	9-30-09	9-30-14	9-30-19	9-30-24
1. General Obligation Fire Truck Bond Interest Rate 8.5%								
Principal	15,000							
Interest	1,275							
2. Note Payable - Delta Bank & Trust Interest Rate 7%								
Principal	3,318							
Interest	232							
3. General Obligation Street Improvement Bonds Interest Rate 4.5%								
Principal	11,000	11,600	12,200	12,800	13,500	78,300	100,700	
Interest	10,805	10,310	9,788	9,239	8,663	33,584	14,045	
4. State of Mississippi Rail Service Revolving Loan Interest Rate .25% - 180 Monthly Payments Of \$67.93								
Principal	788	790	792	793	794	4,007	3,445	
Interest	27	25	23	22	21	69	40	

REVENUE OBLIGATIONS _____

1. Rural Development Water & Sewer System Revenue Bond Interest Rate 5%								
Principal	20,007	21,007	17,264					
Interest	2,901	1,900	669					
2. Rural Development Water & Sewer System Revenue Bond (2000 Issue) Interest Rate 4.5%								
Principal	4,635	4,844	5,062	5,290	5,528	31,605	39,382	49,077
Interest	12,720	12,511	12,293	12,065	11,827	55,170	47,393	37,678

**TOWN OF LAMBERT, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED SEPTEMBER 30, 2004**

(Continuation of Maturities)

							FYE 9-30-25 Thru <u>9-30-29</u>	FYE 9-30-30 Thru <u>9-30-34</u>
Water & Sewer System								
Revenue Bond (2000 Issue)								
Interest Rate 4.5%								
Principal							61,159	73,912
Interest							25,596	12,727
						FYE 9-30-10 Thru 9-30-14	FYE 9-30-15 Thru 9-30-19	FYE 9-30-20 Thru 9-30-24
	FYE 9-30-05	FYE 9-30-06	FYE 9-30-07	FYE 9-30-08	FYE 9-30-09			
<hr/>								
3. Rural Development								
Water & Sewer System								
Revenue Bond (2004 Issue)								
Interest Rate 4.5%								
Principal	7,949	12,378	12,947	13,542	14,164	81,197	101,642	127,235
Interest	29,836	44,299	43,730	43,136	42,514	202,189	181,744	156,151
		</						

**TOWN OF LAMBERT, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED SEPTEMBER 30, 2004**

There are a number of limitations and restrictions contained in the revenue bond ordinances. There are requirements that a reserve account be maintained as follows:

	Amount of Reserve Requirement At 9-30-04	Amount of Reserve At 9-30-04
Note payable Rural Development (5% Rate Note)		
Bond Cushion	21,000	21,000
Depreciation Account	10,000	10,000
Note payable Rural Development (2000 Issue - 4.5% Rate Note)		
Contingent	2,304	2,304
Depreciation	2,304	2,304
Bond Cushion	4,672	4,672
Note Payable Rural Development (2004 Issue 4.5% Rate Note)		
Contingent	2,178	2,178
Depreciation	1,089	1,089
Bond Cushion	1,089	1,089

NOTE 5 - EXPOSURE TO RISK

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors, and omissions, injuries to employees or others and natural causes. The Town carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 6 - CERTIFICATES OF DEPOSIT

Certificates of deposit included in cash balances at September 30, 2004 were as follows:

PROPRIETARY FUNDS:

 Water and Sewer Department:

1.25%, due 3-14-05	24,000
1.35%, due 10-9-04	21,000
1.35%, due 10-9-04	10,000

**TOWN OF LAMBERT, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED SEPTEMBER 30, 2004**

1.35%, due 10-9-04	3,790
1.34% due 10-9-04	1,850
1.35%, due 10-9-04	<u>1,850</u>

Total Certificates of Deposit	<u>62,490</u>
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NOTE 7 - DEFINED BENEFIT PENSION PLAN

Plan Description. The Town contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information.

That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The Town's contributions to PERS for the current and prior two fiscal years were as follows:

FYE September 30, 2004	13,897
FYE September 30, 2003	13,154
FYE September 30, 2002	10,458

These amounts were equal to the required contribution for these years.

NOTE 8 - FEDERAL AWARDS

In accordance with Office of Management and Budget (OMB) Circular A-133, federal awards are classified as follows:

Major Programs - Total federal program expenditures are the larger of three percent of total federal funds expended or \$500,000.

A. Revenue and Expenditures Recognition.

As required in a single audit, expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. The accompanying schedule of expenditures of federal awards is prepared on this basis.

**TOWN OF LAMBERT, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED SEPTEMBER 30, 2004**

B. Reconciliation of Cash Receipts - Capital Projects Fund & Special Revenue Funds To Schedule of Expenditures of Federal Awards:

	<u>Total</u>	<u>Capital Projects Fund</u>	<u>Special Revenue Fund</u>
Receipts as Shown in Statement of Cash Receipts & Disbursements	638,970	394,276	244,694
<u>Less:</u> Accrued Revenue (Prior Year):			
Water Project	(98,553)	(98,553)	
Street Project	(6,146)	(6,146)	
Water & Street Project	<u>(76,993)</u>	<u>(76,993)</u>	
Total Federal Financial Awards	<u><u>457,278</u></u>	<u><u>212,584</u></u>	<u><u>244,694</u></u>
Reconciliation of Cash Disbursements - Capital Projects Fund & Special Revenue Fund to Schedule of Expenditures of Federal Awards:			
Disbursements As Shown in Statement of Cash Receipts & Disbursements	768,336	430,590	337,746
<u>Less:</u> Accrued Expense (Prior Year):			
Water Project	(98,553)	(98,553)	
Street Project	(6,146)	(6,146)	
Water & Street Project	(76,993)	(76,993)	
HOME Project	<u>(93,048)</u>		<u>(93,048)</u>
Total Federal Expenditures	<u><u>493,596</u></u>	<u><u>248,898</u></u>	<u><u>244,698</u></u>

TOWN OF LAMBERT, MISSISSIPPI
 SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
 SEPTEMBER 30, 2004

<u>Name</u>	<u>Position</u>	<u>Date Expired</u>	<u>Company</u>	<u>Bond</u>
Reginald G. Griffin	Mayor	6/13/05	Western Surety Co.	116,000
Robert H. Booker, Sr.	Alderman	7/1/2005	USF&G	10,000
Royce Ray	Alderman	7/1/2005	USF&G	10,000
Bernard White	Alderman	7/1/2005	USF&G	10,000
Helen Ingram	Alderman	7/1/2005	USF&G	10,000
Jimmy Matthews	Alderman	7/1/2005	USF&G	10,000
Rena Wade	Police Chief	6/4/2005	RLI Insurance Co.	50,000
Jonathan Dancy	Fire Marshall	7/5/2005	Brierfield Ins. Co.	5,000
Patsy Keel	Town Clerk	6/22/2005	Brierfield Ins. Co.	116,000
Rodella Covington	Municipal Court Clerk	6/22/2005	Brierfield Ins. Co.	50,000

TOWN OF LAMBERT, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
FOR YEAR ENDED SEPTEMBER 30, 2004

	Balance Outstanding 10-1-03	Transactions During Fiscal Year		Balance Outstanding 9-30-04
		Issued	Redeemed	
GENERAL OBLIGATION BONDS:				
General obligation Town Fire Truck Bond 8.5% interest rate; original amount of \$120,000. Secured by an irrevocable pledge of the avails of a direct and continuing tax levy. Annual payment including interest due January 1, maturing in the year 2005	27,500		12,500	15,000
Other Debt:				
Notes				
Fire equipment note. 7% interest rate, annual payments of \$3,605 for five years due January 5, 2001 thru January 5, 2005.	6,470		3,152	3,318
Trustmark National Bank - Bond anticipation note 2.985 annual interest rate (guaranteed by Rural Development) payable at issue of general obligation bonds	30,340	153,696	184,036	0
Street Improvement Bond - Interest rate 4.5% - 15 variable annual payments Beginning January 20, 2005 thru January 20, 2019		240,100		240,100
State of Mississippi Rail Service Revolving Loan - Interest rate 1/4% of 1%. 180 Monthly payments of \$67.93.		12,000	591	11,409
Total general long-term debt	64,310	405,796	200,279	269,827

TOWN OF LAMBERT, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
FOR YEAR ENDED SEPTEMBER 30, 2004

	Balance Outstanding 10-1-03	Transactions During Fiscal Year Issued Redeemed	Balance Outstanding 9-30-04
REVENUE BONDS:			
Rural Development			
Water and Sewer System Revenue Bonds.			
5% interest rate; original amount of \$362,000 collateralized by revenues and water and sewer plant facilities. Annual payment of \$22,907 (including interest) due each January 1, maturing in the year 2,007	77,299	19,021	58,278
Rural Development			
Water & Sewer System Revenue Bonds.			
(2000 Issue) 4.5% interest rate; original amount of \$295,400 collateralized by revenues and water and sewer plant facilities. Monthly payments of \$1,447 (including interest) starting June 17, 2001 until 2034. Annual payments of interest only due May 17, 2001 and May 17, 2002.	284,986	4,492	280,494
Rural Development			
Water & Sewer System Revenue Bonds.			
(2004 Issue) 4.5% interest rate; original amount of \$998,000 payment in 420 monthly payments of approximately \$4,723.10 beginning February 2005 and ending January 2040.		998,000	998,000

TOWN OF LAMBERT, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
FOR YEAR ENDED SEPTEMBER 30, 2004

	Balance Outstanding 10-1-03	Transactions During Fiscal Year		Balance Outstanding 9-30-04
		Issued	Redeemed	
Revenue				
Delta Southern Bank - Bond anticipation note 5.5% annual interest rate (guaranteed by Rural Development) payable at issue of water & sewer revenue bonds	764,808	129,656	894,464	0
Other Debt:				
State Revolving Fund Loan. 4.5% interest rate original amount of \$411,627, monthly payments of \$2,638 including interest to be withheld from monthly sales tax reimbursement to 2017.	<u>324,178</u>	<u> </u>	<u>17,429</u>	<u>306,749</u>
Total enterprise fund debt	<u>1,451,271</u>	<u>1,127,656</u>	<u>935,406</u>	<u>1,643,521</u>
Total Town long-term debt	<u><u>1,515,581</u></u>	<u><u>1,533,452</u></u>	<u><u>1,135,685</u></u>	<u><u>1,913,348</u></u>

TOWN OF LAMBERT, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2004

Federal Grantor/ Pass Thru Grantor	CFDA Number	Direct Federal	Federal Flow- Through	Total Expenditures	Federal Expenditures
U. S. Department of Housing & Urban Development / Mississippi Development Authority Combined Water and Street Project CDBG Project #00-227-PF-01	14.219		33,932	33,932	33,932
U. S. Department of Agriculture - Rural Development Water Renovation Project	10.770		61,174	61,174	61,174
Street Rehabilitation Project	10.770		153,796	153,796	153,756
U. S. Department of Housing & Urban Development Mississippi Development Authority 02 HOME Grant	14.239		244,694	244,694	244,694
Total Federal Financial Awards		0	493,596	493,596	493,556

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and Aldermen
Town of Lambert
Lambert, Mississippi

We have audited the Statement of Cash Receipts and Disbursements - All Funds of the Town of Lambert, Mississippi as of and for the year ended September 30, 2004, and have issued our report thereon dated January 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Lambert, Mississippi's Statement of Cash Receipts and Disbursements - All Funds is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Lambert, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Statement of Cash Receipts and Disbursements - All Funds and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating

to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town of Lambert, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the Statement of Cash Receipts and Disbursements - All Funds. A reportable condition is outlined below.

Finding:

There is a lack of segregation of duties in the Town Clerk's office. Internal accounting controls of the Town of Lambert are inadequate because of a lack of segregation of duties due to limited personnel and limited funding. Good internal controls call for the segregation of duties between the performance, approval and record keeping of a transaction. This finding was reported in the prior year.

Recommendation:

An evaluation of the internal control structure of the Town of Lambert, Mississippi to determine a workable and economically feasible improvement in the internal control structure.

Response:

The Town of Lambert, Mississippi is unable to hire additional employees to properly segregate duties due to the limited funding resources of a small municipality.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the Statement of Cash Receipts and Disbursements - All Funds being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information of the Town board and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

January 20, 2005

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS**

Honorable Mayor and Aldermen
Town of Lambert, Mississippi

We have audited the Statement of Cash Receipts and Disbursements (All Funds) of the Town of Lambert, Mississippi as of and for the year ended September 30, 2004, and have issued our report thereon dated January 20, 2005. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

In connection with our audit, nothing came to our attention that caused us to believe that the Town of Lambert, Mississippi had not complied with the requirements of the Office of the State Auditor as set forth in the Municipal Compliance Questionnaire and other state laws and regulations.

This report is intended for the information of the Mayor and Board of Aldermen and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

January 20, 2005